



## BAM2016

This paper is from the BAM2016 Conference Proceedings

### **About BAM**

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>

**Elite networks and the development of corporate governance regulation**

**Michael Price**

**Newcastle University Business School**

**Newcastle University Business School, 5 Barrack Rd, Newcastle upon Tyne NE1 4SE**

**[michael.price@ncl.ac.uk](mailto:michael.price@ncl.ac.uk)**

## Abstract

This paper examines how networked coalitions of elite actors are formed, and subsequently orchestrated, in the context of corporate governance regulation. It is argued that dominant actors mould regulation which tends to fend off threats to the status quo, which is characterised by self-regulation and *laissez-faire* neoliberalism. In the process of developing corporate governance regulation, elites make connections across interdisciplinary fields, which fill 'structural holes' (Burt 1992, Burt 1997) and thereby provide points of contact, between otherwise disparate actors in the field of power (FoP).

This empirical focus of the paper is an analysis of elite networks in the mid-1990s, specifically the events and debates surrounding the influential 1995 Greenbury Committee, who established the current framework for remuneration policy in UK organisations. It illustrates how actors in the FoP, mobilise relatively weak network ties, to form high status elite networks which dictated the dominant discourse associated with top executive pay (TEP). In the case of the Greenbury provisions, we see the evolution of corporate governance regulation was less focused on the technocratic reform of TEP, and more concerned with political manoeuvrings before the 1997 general election.

Informed by Bourdieu's theorisation of the FoP, the concept of *closure* is introduced, as a specific process which occurs in the FoP. Through such closure mechanisms public concerns are recognized whilst concurrently presenting the ideological case for the defence of the status quo. Public opinion is then appeased by strengthening rules within existing frameworks, thereby preserving the power and autonomy of the corporate elite.

## Introduction

Big business has come under severe criticism in recent years because of the escalation in top executive pay (TEP) and the contribution this has made to rising levels of inequality in income and distribution in wealth in many countries across the world (Atkinson 1983, Bourguignon 2013, Piketty 2014). The antecedents of these criticisms are a series of high profile cases where TEP has been deemed to be unreflective of personal merit or indeed, of corporate performance. The prevalence of these cases, has not decreased, despite by the passage of time.

Critics of TEP argue that the high degree of autonomy enjoyed by executives and the monopoly power they exercise are the cause. Such a position is reflected a large corpus of work studying the relative power of top executives, loosely termed as the *managerial hegemony school* (Mace 1971, Lorsch 1989, Finkelstien 1992, Pettigrew 1992, Pettigrew and McNulty 1995, Pettigrew 1998). This analytical approach would argue that TEP scandals are failures in corporate governance as a result of managerial rent seeking (Bebchuk & Fried, 2003).

Changes to systems of corporate governance coincide with corporate crises or scandals that expose abuses of power on the part of corporate elites and their allies in the FoP. When public opinion becomes inflamed, politicians come under pressure to legislate to prevent continued abuse, therefore potentially changing the rules of the game to decrease corporate power and limit the freedom to self-regulate. In every notable case of corporate governance reform, this is achieved by inviting business leaders to self-regulate, see for instance Cadbury (1992), Greenbury (1995), Hampel (1998), Tunrball (1999), Higgs (2003), Walker (2009) and Kay (2012). This system of self-regulation adopted in the UK, means corporate elites are central to the process of governing, “what this means is businessmen, like administrators, wish to depoliticize highly contentious issues and to have these judged according to the criteria favoured by business. This may look like an avoidance of politics and ideology: it is in fact their clandestine importation into public affairs” (Miliband 1969: 52-53).

The argument presented, although not necessarily endorsed, is that there are certain groups who have a vested interest in preserving the present social order and who are acutely aware of the threats posed by tangible public concerns about TEP. The focus of discussion therefore, is on *how* corporate elites exercise control over the institutional framework within which big business operates. The current system of corporate governance is based on the principle of self-regulation, and is one that it is seen by business as vital to preserve. Supporters of this system argue that to undermine this principle, would be to weaken the power of private corporations in relation to nation states and transnational bureaucracies.

This paper make a contribution to the established canon of work centred on corporate elites led by Clegg & Hardy (1996), Maclean, Harvey and Press (2006), Phillips, Courpasson and Clegg (2006), Maclean, Harvey and Chia (2010), Zald & Lounsbury (2010), Maclean, Harvey and Kling (2015a, 2015b) and Reed (2012) but also to scholarly work on network dynamics. It extends the empirical focus beyond the conventional analysis of interlocking directorships or political affiliations, by highlighting the mechanisms of coalition formation in the FoP as being instrumental in realising significant changes in corporate governance.

The empirical focus of this paper is the Greenbury Committee and their 1995 report, as an example of how the regulation is orchestrated through the formation of a coalition of various actors, in often disparate disciplinary fields. The argument unfolds in a semi-orthodox manner. The subsequent section reviews the literature in 3 key areas which frame the discussion, firstly the evolution of the corporate governance policy since 1992 is described, thereby contextualising the empirical focus of the paper. Secondly, the theoretical outline of the paper is introduced, which focuses on key Bourdieusian approaches to *fields* and *power*. Finally, the literature is reviewed pertaining to networks and corporate elites. The subsequent section then outlines the antecedents of the Greenbury committee, before moving to describe the methodology employed. Finally there is a discussion and a short conclusion.

## **Literature Review**

Since the publication of the Cadbury report in 1992, there have been incremental changes in governance arrangements spurred by a number of ‘best practice’ reports (Greenbury 1995; Hampel 1998; Turnbull 1999; Higgs 2003; Walker 2009; Kay 2012). These reports tended to be reactive measures to perceived problems or scandal recent to their times (Charkham 2008).

The remedy for such failure seems to be always more regulation and increased transparency through disclosure. Corporate governance regulation in the UK tends to espouse this market based doctrine, that is, ‘comply or explain’. Comply with the recommendations, or alternatively, if compliance is not achieved, explain why the organisation is in non-compliance.

The development of the code of corporate governance can be seen to be accretive (Nordberg and McNulty 2013, Price and Campbell 2015). That is, iteratively evolving as a result of the evolution in best practice reporting. Corporate governance reports are therefore constitutive of the wider discourse, but also implicitly tend to reproduce and support the discourse which preceded them, as Phillips, Lawrence and Hardy (2004: 642) explain, “actions that lead actors try to gain, maintain, or repair legitimacy are likely to result in the production of texts... [which are] produced in order to establish, verify, or change the meaning associated with action”. This process is not arbitrary; these texts tend to foster the dominant ideological discourse, through the use of institutionalised vocabularies. The authors of the corporate governance texts, “did not just select words from a language system, they select plots generic features, aspects of character, images, ways of narrating, even phrases and sentences from previous literary texts and from the literary tradition” (Allen 2011: 11). In this regard, they both reflect and are a component of, the continuous and ongoing debate surrounding the regulation of corporate governance. This is an example of what Maclean, Harvey and Kling (2015: 543) call the “interpellative power of rhetorical narrative”.

In much the same way, it is an example of rhetorical history conferring legitimacy (Suddaby, Foster et al. 2010) by ordering and structuring ideas to pursue coherent objectives. Light touch, *laissez-faire* approaches to corporate governance have therefore become highly institutionalised. Concepts heavily referred to in the texts, such as *accountability* and *transparency* have become shibboleths of the era (Price and Campbell 2015).

## **Network dynamics and the field of power (FoP).**

The theoretical framework adopted in this paper is broadly Bourdieusian. Accordingly, it proposes that society is organised into fields represented by dominant and subordinate actors

(Bourdieu and Passeron 1977). The mechanism described by other Bourdieusian scholars in an organisational context, is that as actors gain promotion, or progress in some other way, for instance via a merger or acquisition, they ascend through a number of fields (Maclean et al. 2006). Each of these fields can be identified as a delineated social space with rules, actor dispositions and desirable practices (Maclean et al., 2015b). The uppermost stratum of society, at the head of all other fields, is the field of power (Bourdieu 1993, Bourdieu and Wacquant 1998), which sits at the pinnacle of the cultural and corporate worlds. Therefore the concept of the '*field of power*' (FoP) is seen as an important one in the context of corporate elites, "The field of power is a social space in which members of different elite groups freely mingle, recognised by one another as social and political equals" (Maclean, Harvey et al. 2006: 33). Ascension to the FoP is represented by the legitimacy and recognition gained as a result of the accumulation of capital in its various forms (Bourdieu 1986).

One of the key ideas about the FoP is that it sits at the top of a multi-disciplinary nest of other fields. These are normally defined as discipline specific. For instance, there may be fields covering health, law, politics or education. The existence of a 'power elite' (Mills 1953) constituted of *dominant agents* (Maclean et al. 2006, Maclean et al. 2010) suggests the existence of a group of actors who are operating above the individual field level and within a field which transcends these fields. This higher stratum of agents transcends institutional and organisational boundaries and facilitates elites in often very disparate fields to make connections (O'Mahony and Bechky 2006, O'Mahony and Bechky 2008).

The cohort of actors who form the empirical setting for this paper we suggest, are representative of *dominant agents* who, as result of their social, economic, cultural and symbolic capital (Bourdieu 1986) derive advantage from their positions in social and corporate networks (Maclean et al. 2006, Maclean et al. 2010). These *dominant agents* tend to wield large amounts of corporate power and social influence. This means they possess certain characteristics, for instance, they often hold both CEO and Chairman roles simultaneously (Maclean et al. 2010). More often than not, they oversee the largest, most powerful organisations. These are characterised as *dominant organisations* as Clegg, Carter, Kornberger & Swietzer (2011: 228) explain, "dominant people must be members of dominant organisations. Corporate domination signifies control of the economic field by this relatively small number of powerful companies, themselves controlled by a relatively small number of dominant agents".

The density of this group has been extensively studied within the organisational literature. A comprehensive and influential corpus of work has examined the cause and effect of interlocking directorships (Mizruchi and Stearns 1988, Mizruchi 1996, Brass, Galaskiewicz et al. 2004, Burris 2005). However, perhaps of greater relevance, is the mechanisms by which elites form coalitions and on what basis? Research has shown by activating ties between fields, corporate elites can transcend institutional and organisational boundaries, and often connect with elites in disparate fields (O'Mahony and Bechky 2006, O'Mahony and Bechky 2008). Congruently, when connections are made by actors across fields, they fill 'structural holes' (Burt 1992, Burt 1997) and thereby provide points of contact, between otherwise disparate actors. Despite these actors operating in remote fields, they may otherwise possess many heterogeneous features, which act to facilitate network development (McPherson, Smith-Lovin et al. 2001). Therefore structural relationships such as interlocking directorships

or political affiliations, are not necessarily, *prima facie* evidence of strong relationships and move over, only represent only a possible means of mobilising power and influence (Stanworth and Giddens 1975). Indeed, Granovetter (1973) highlighted the ‘strength of weak ties’, suggesting that lower density networks may actually be as useful as stronger network ties (interlocking directorships, for example). In this way, less visible, lower density networks may be more useful in forming effective coalitions, than the more visible ties. Therefore it is clear that not all network ties are ‘wired’, and many are only activated when the need arises (Smith et al. 2012).

Within the corporate governance best practice literature, however, it is more or less explicit that visible ties are those which stakeholders should focus their attention on. Higgs (2003) talks about structural relations, in particular referring to “relationships or circumstances which could affect, or appear to affect, the director’s judgement”, going on to cite “material business relationship” and “cross directorships” (Higgs 2003: 81-82) as being examples of such relationships.

With this paradox in mind, there is clear value in examining how actors in the FoP mobilise less visible ties, to form high status elite networks. Research examining the development of networks and their evolution, identifies their orchestration, as centrally important in determining their effectiveness (Paquin and Howard-Grenville 2013). This “coming together of field networks” (Maclean and Harvey 2016: 4) is an example of how elite actors are able to extend their reach beyond their proximal networks, and connect with other high status elites within the FoP (Bourdieu 1993, Bourdieu and Wacquant 1998) and in doing so, arguably, form a more cohesive, and effective, coalition. This process, it is argued, is illustrative of the mechanisms by which socio-political domination is achieved by an organised few, over the unorganised many (Mosca 1939, Dahl 1961, Miliband 1969).

### **The antecedents of the Greenbury committee**

The early 1990s were a period of great economic and social change (Stiglitz 2003). One of the key policies of the Conservative government was the privatisation of the UKs national utilities. As these national utilities became public companies, their management, who were formerly modestly paid public servants, now found themselves exposed to labour market forces, which in many cases, resulted in substantial pay increases. Of these increases, there were a number of notable cases which the press focused on. In particular there was the case of Cedric Brown, the former CEO of British Gas who was dubbed by The Independent newspaper at the time as, “the least popular man in Britain” (Ward 1995: 17). The contemporary mood in the early 1990s was described as, “highly febrile” (Committee member 8) and that there was a “groundswell” (Committee member 10) following the publication of a Sunday Times article in 1994 that described Browns pay was 43 times that of the average British Gas employee and he came to symbolise the caricature of the corporate fat cat (Cope 1996). The British Gas affair is often cited as a “watershed” (Maitland 2008: 156) in the run up to the Greenbury report. It has been recognised that privatisation in the late 1980s and early 1990s, “played a critical role in understanding the need for good corporate governance” (Maclean, 1999: 93) and the Greenbury recommendations were part of a broader movement to address, “public concerns” (Greenbury 1995: 6).

The story of how Sir Richard Greenbury rose to become chairman and CEO of Marks and Spencer’s and subsequently ended up chairman of the report into directors remuneration, was

and still is, central to the perceived legitimacy of the report's findings. After attending Ealing Grammar he joined Marks and Spencer in 1952 as a junior management trainee, he eventually rose to become a director in 1970. Thereafter he became joint managing director in 1978, CEO in 1988 and chairman (jointly) in 1991. He personified what Kerr and Robinson (2011) called the, "bootstrap boys, who... work their way up to the field of power" (Kerr and Robinson: 2011: 158). It is critical to note, Greenbury's background, career trajectory and position gave him a certain legitimacy; here was a man who had clearly illustrated he was in business for the long term, a one company man who was trusted to be the first non-family CEO of Marks and Spencer, which itself was, one of the UK's most cherished brands. The symbolism of the appointment should not be underestimated. As Mowbray (1995: 3) puts it, Marks and Spencer's is, "the high-street incarnation of our values and aspirations... synonymous with service, organisation and trustworthiness". Furthermore, Sir Richard was not only a patron of the Samaritans (1992 – 1997) at the time, but "knew John Major well and got on well with him" (Committee Member 1). He was ideally placed in the FoP to provide legitimacy for what was an extremely symbolic issue both in terms of governance, and in the wider political field.

### **Methodology - A synthesis of history and organisational studies**

This study reports on a series of in depth, oral history interviews with the influential 1995 Greenbury committee. This research project represents a 'historical' approach, in so much as it analyses an 'event' of significance (Norman 1991), particularly with hindsight, that took place. Therefore in defining an oral history, (Richie 2003: 19) suggested that, "simply put, oral history collects memories and personal commentaries of historical significance through recorded interview." The issues debated in this paper are deeply embedded in their historical context. For instance, remuneration, fairness and accountability are only historically contextual. In other words, the scandals relating to the nationalisation of British industry and events at British Gas very much reflected the zeitgeist. These are events which were situated uniquely in their era and acted as an "important symbolic resource" (Suddaby et al. 2010: 149) and interpretative lens.

By harnessing the concept of *creative synthesis*, which Harvey (2014) defines as, "an integration of group members' perspectives into a shared understanding that is unique to the collective" (p325), this paper develops a heightened understanding of the FoP and presents a novel insight into taken-for-granted beliefs and assumptions, the committee propagated, which have endured. The data collected represents the most comprehensive method of piecing together the thoughts, actions and feelings of these important events in the mid-1990s. In this sense, the research seeks to create a complete and candid account of an important historical event in business history.

The interview transcripts are intended to form a reliable record of events, woven with hindsight commentary. However, the data is not simply a record of events and proceedings that have taken place, or a repository of readymade data (Rowlinson, Hassard et al. 2014), they have the ability to deliver new knowledge and to provide challenging insights into mainstream forms of knowledge (Field 2007).

Given the focus of the interviews was principally a historical event, which went on to have enormous empirical and policy significance, it would not be unsurprising if some of the oral submissions may possibly be tinged with some hindsight bias. This could lead to a suggestion



that the accounts collected reflect a consensual and collective reality, which can arguably never fully capture the empirical detail of the past objectively (Lowenthal, 1985). The accounts delivered may represent a form of rhetorical history (Suddaby et al., 2010), which is the strategic (and often instrumental) use of the past, to manage the future.

The theory relating to temporally nested issues, such as pay and performance, merit and talent on which TEP rests, are historically constructed and imprinted (Stinchcombe and March 1965). The intention is that in understanding events through a particular lens, or series of temporally located perspectives, we can develop fresh insight to challenge existing thinking relating to corporate governance. Underpinning this perspective, is the idea that history and organisational studies are of equal status; the notion of *dual integrity* (Maclean, Harvey et al. 2015). Dual integrity implies the, “mutual respect and demonstrable competence” (p17), in both organisational and historical scholarship. It represents the symbiotic relationship between the study of organisations and the historical context in which that study takes place.

The biographical data collected and presented in Table 1, was a synthesis of information gleaned from both the ‘Who’s Who’ database, and the oral history interviews conducted by the author in 2014.

Actor	Occupational Field	Substantive Occupational Role	Elite Networking Role	Greenbury Role
Hon. Michael Heseltine MP	<ul style="list-style-type: none"> <li>Political</li> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>President of the board of trade: UK Govt.</li> </ul>	<ul style="list-style-type: none"> <li>MP for Henley</li> </ul>	<ul style="list-style-type: none"> <li>Instigator</li> </ul>
Sir Richard Greenbury	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman &amp; CEO: Marks and Spencer</li> </ul>	<ul style="list-style-type: none"> <li>Trustee: The Royal Academy</li> <li>Trustee: The Samaritans</li> </ul>	<ul style="list-style-type: none"> <li>Chairman</li> </ul>
Sir Denys Henderson	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman &amp; CEO: Imperial chemical industries</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: CBI</li> <li>Member: European Round Table of Industrialists</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Sir David Chapman bt <sup>1</sup> .	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Director: Brewin Dolphin Securities Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Northern Rock PLC</li> <li>Chairman: CBI North East Regional Advancement Group</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Sir Michael Angus	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman: Whitbread</li> <li>Chairman: Boots</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: CBI</li> <li>Board Member: Natwest Bank</li> <li>Board Member: British Airways</li> <li>Board Member: RAC Holdings</li> <li>Governor: London Stock Exchange</li> <li>Member: European Round Table of Industrialists</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Lord [Iain] Vallance	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>CEO: British Telecom</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: CBI</li> <li>Board Member: Business in the community</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>

---

<sup>1</sup> Baronet.

			<ul style="list-style-type: none"> <li>Board Member: British American Chamber of Commerce</li> </ul>	
Sir David Simon	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>CEO: British Petroleum</li> </ul>	<ul style="list-style-type: none"> <li>Member: European Round Table of Industrialists</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Mr Geoff Lindey	<ul style="list-style-type: none"> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Director: JP Morgan</li> </ul>	<ul style="list-style-type: none"> <li>Chairman: NAPF Investment committee</li> <li>Strategic Advisor: NAPF</li> <li>Board Member: CFA Institute</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Tim Melville-Ross	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Director-General: Institute of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Monument Oil and Gas</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Sir David Lees	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman: GKN</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Tate &amp; Lyle</li> <li>Board Member: Courtaulds</li> <li>Board Member: CBI</li> <li>Member: European Round Table of Industrialists</li> <li>Board Member: National Defence Industries Council</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Mr Robert Walther	<ul style="list-style-type: none"> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>CEO: Clerical Medical Investment Group</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Association of British Insurers</li> <li>Board Member: Flemming Claverhouse</li> <li>Board Member: Fidelity European Values</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Mr George Metcalfe	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman &amp; CEO: UEMCO</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Sailport</li> <li>Board Member: CBI</li> <li>Freeman of the City of London</li> </ul>	<ul style="list-style-type: none"> <li>Member</li> </ul>
Mr John Grieves	<ul style="list-style-type: none"> <li>Legal</li> </ul>	<ul style="list-style-type: none"> <li>Senior Partner: Freshfields Law</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: British Invisibles</li> </ul>	<ul style="list-style-type: none"> <li>Advisor</li> </ul>
Mr Peter Jeffcote	<ul style="list-style-type: none"> <li>Legal</li> </ul>	<ul style="list-style-type: none"> <li>General Counsel: Freshfields Law</li> </ul>		<ul style="list-style-type: none"> <li>Advisor</li> </ul>
Mr Angus Maitland	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Chairman &amp; CEO: Maitland PLC</li> </ul>		<ul style="list-style-type: none"> <li>Advisor</li> </ul>
Mr John Carney	<ul style="list-style-type: none"> <li>Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director: Towers Perrin</li> </ul>		<ul style="list-style-type: none"> <li>Advisor</li> </ul>
Mr Andrew Edwards cb <sup>2</sup> .	<ul style="list-style-type: none"> <li>Civil Service</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Secretary: UK Treasury</li> </ul>	<ul style="list-style-type: none"> <li>Board Member: Royal Opera House</li> </ul>	<ul style="list-style-type: none"> <li>Advisor</li> </ul>

Table 1: The Greenbury Committee and their roles in 1995.

---

<sup>2</sup> Companion of the Bath.

## Discussion

### Actors and their roles

Following Knoke and Yangs' (2008) perspective on social networks, and echoing Ball (2008) and Brass, Galaskiewicz et al. (2004) notion of 'convening power' in networks, Maclean & Harvey (2016) defined actors in elite networks to be either nodal or sentinel. The distinction between the two types of actors is significant as their location in the network constellation, relative to each other, determines the relative strength of the network. According to Maclean & Harvey (2016) both nodal and sentinel actors can be either organisations, or the key representative or protagonists of a campaign or event. Nodal actors have a "natural constituency, legitimate voice and convening power which assumes responsibility for promoting the interests of the field" (Maclean and Harvey 2016: 6) whilst a sentinel actor, "by virtue of its [or their] status and reputation plays a key role in defending the interests of the field". They tend to be guardians of the heritage of the field, who often have a longstanding affiliation with the issue and its context.

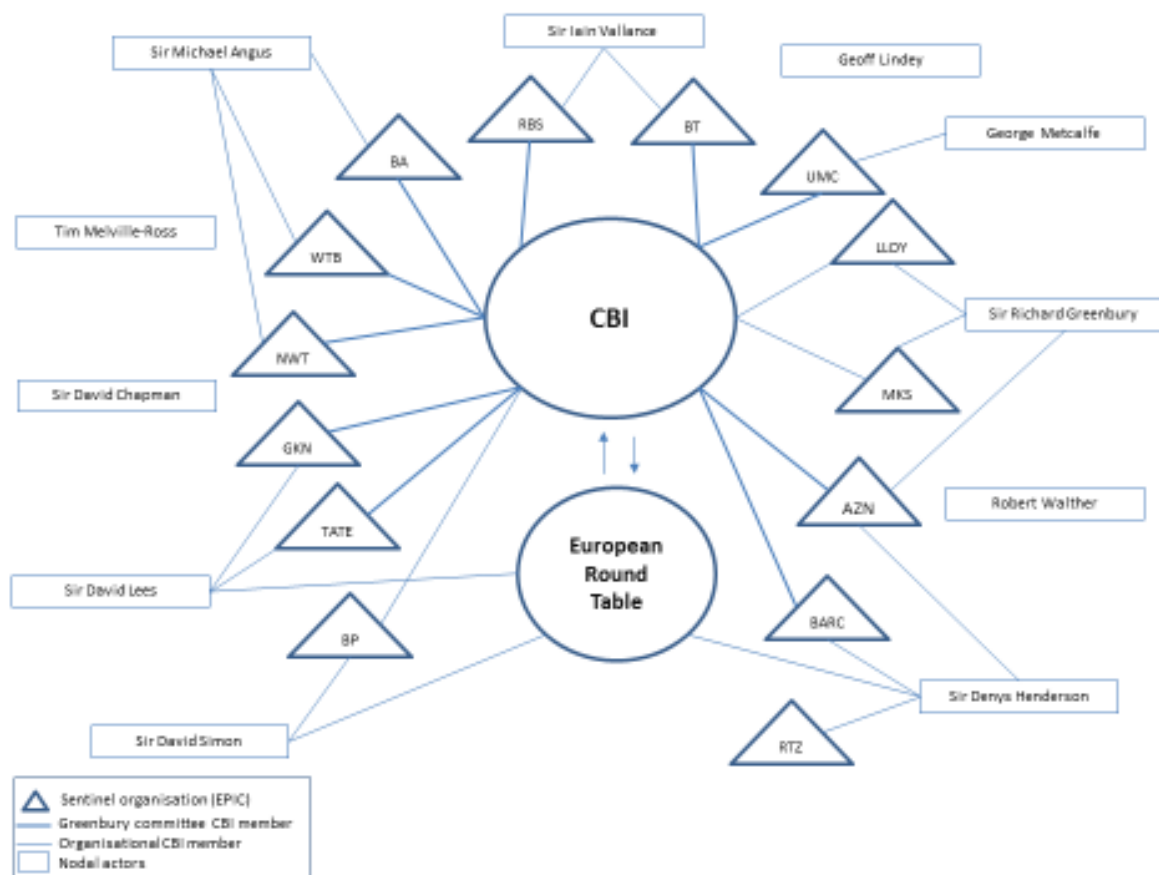


Figure 1: The Greenbury network

The driving force behind the Greenbury provisions were a number of key nodal actors. These actors had direct links to both the CBI, the official convening organisation, and also affiliation sentinel organisations. In such a way they behaved as a convening force and public interface. Emerging from the data, a picture of 3 key nodal actors operating in the FoP at the time. These are Michael Hesletine, who contrary to the contents of the Greenbury report, instigated the formation of the committee, Sir Michael Angus, Chairman of Natwest Bank

and of course Sir Richard Greenbury. These actors convened elites with often very weak network ties. The formation of the committee is illustrative of networks acting as a, “multiplier” (Bourdieu, 1986: 246) of the capital the agent possesses in his own right; “The profits which accrue from membership in a group are the basis of the solidarity which makes them possible” (p246). There is a clearly observable trajectory of some of the Greenbury members as a result of the transmutability of capital from social to symbolic, then finally to economic. The Greenbury committee can be theorised to have provided the vehicle for its members to sustain such a trajectory. For instance, there were a number of ties, which linked certain members together in the FoP. On the subject of his connection to Sir Richard one member said,

*“No, but I didn’t know him [Greenbury, but] I knew of him. You know what it is, the network... people know other people, but they’re not necessarily friends. I was an acquaintance of his” (Committee member 11).*

Such a relationship is an example of how social capital, in this case a person’s network, is mobilised and *transmuted* into other forms of capital (Bourdieu 1986), which then facilitates movement between fields. The committee’s formation, is an example of how interlocks within the FoP are propagated and ‘structural holes’ (Burt 1992, Burt 1997) in networks are filled. Via their intervention these, “multi positional actors” (Maclean et al., 2015b: 189), helped to perpetuate common, field wide, interests. Broadly, this aimed to defeat the threat of statute over the issue of executive remuneration, thus keeping the issue within their control of their cohort. This echoes strongly with Bourdieu’s theory, that elite members in society tend to follow, “strategies of conservation” (Swartz 1998: 125), the success of which tends to mediate the development of the field. It is characterised by Bourdieu as a method which the dominant employ to counter [potential] subversion.

The mechanism by which this occurs is worthy of discussion and in particular the mechanism by which coalitions are formed. For instance, the role of ‘Maitland’, the committee’s PR company, was critical in the operation of the network. There was great anxiety at the time [concerning the issue of executive remuneration] and it was clear that something must be done to help,

*“It [the Greenbury committee] was instigated by the Conservative party who were concerned at the bad reputation about pay that was developing, particularly in the private sector and that was a vote loser” (Committee member 1).*

Maitland was already formally employed on a pro-bono basis as a public relations consultants to many of the members of the committee. For instance, Sir Richard Greenbury was a key client of theirs at Marks and Spencer, as was Sir Denys Henderson at ICI, and Sir Iain Vallance at BT. This echoes Burt’s (1997: 370) thesis that the “strongest evidence of social capital effects [are] with the combined network of personal and corporate relations”.

They played an important role in creating a story, in forming a discourse, which could be easily disseminated and understood by the wider public, whose support was required. Maitland, wasn’t politically active, “yet serve[d] as stalwart defenders of the field when required to do so” (Maclean 2016: 16). They therefore contributed to the legitimacy of the provisions enshrined in the report in the way they communicated the committee’s key messages and rebuffing any criticisms directed at it. Such actors, are crucial to the

coordination in a crisis (Brass, Galaskiewicz et al. 2004). The role of the company was described thus,

*“I got a call from Iain Vallance asking if I would help the committee, protect its reputation and protect the reputation of Sir Richard and deal with the press... So my appointment was really to do with the reputation of the committee itself and the individual members of the committee. In particular to work closely with Rick to ensure he stuck to the party line”* (Committee member 9).

Therefore, Maitland’s role was to “protect the reputation” of those in the FoP and ensure Sir Richard adhered to the collective narrative or “stuck to the party line” (Committee Member 9). Maitland’s role can also be seen as defending the corporate actors, against those in the press, and in society more widely, who sought to counter-say their objectives and challenge their power as Committee member 9 elucidates,

*“this [the remuneration issue] was a gift to the Labour opposition, two of whom were held up in the Labour headquarters in Milbank running the communications campaign against the Tories so Cedric Brown was a very useful club with which to beat the Tory Government”* (Committee member 9).

Therefore the role of Maitland was to create and effectively disseminate a credible story whilst simultaneously rebuffing any challenges to the dominant agents and their collective narrative. Furthermore it was recognised that in order to quell the public fervour surrounding executive pay the ‘reputation’, or how the public perceive Sir Richard and others, had to be carefully managed as Maitland (2008: 157) points out, “if a [remuneration] crisis is anticipated and prepared for assiduously, more often than not it can be managed”. This statement indicates how those in the FoP attempt to retain control over issues which are important to them and their network, and is an exemplar of the critical role played by lower status actors outside of the FoP.

### **Corporate governance regulation: Actor coalitions**

The cohesiveness of the elite network presented here is far from strong. It seems the term *coalition*, may be more appropriately applied. From an analysis of Figure 1, there were clearly organisations that linked actors, the CBI for instance was a forum in which 4 of the members met, but none of these bonds seemed to be formal or solidaristic. For instance, on the subject of his connection to Sir Richard one member said,

*“I was chairman of the CBI economic affairs committee from 1988 to the middle of 1994. Greenbury himself was in and around the CBI so I suspect I was picked up from that”* (Committee member 11).

Whilst another commented, “you meet these people around on the circuit and we always had things to talk about” (Committee member 5). This degree of fragmentation seems to resonate strongly with Mizruchi (2013) thesis pertaining to a similar degree of fragmentation in the context of US corporate elites. This is attributed, amongst another things, to an increasing degree of conservatism since the mid-1970s (Mizruchi 2013) and declining elite network densities (Barnes and Ritter 2001) particularly in the first decade of this century (Chu and Davis 2011). However, findings from this study indicate that when faced with challenges to their collective interests, dominant corporate agents have a propensity to contribute to

narratives which legitimise their dominance, “sustained by public perception of their civic mindedness, they become the purveyors of legitimising narratives” (Maclean et al., 2014a: 829).

The Greenbury provisions were an exemplar of a series of events leading to a crisis, which was caused, addressed and resolved by dominant agents themselves. The perception of the public was critical in establishing the legitimacy that elite groups seek, to substantiate their narrative. They occupied what Mills (1953: 4) called, “the strategic command posts of the social structure,” and in doing so, helped in forming the dominant discourse relating to these issues.

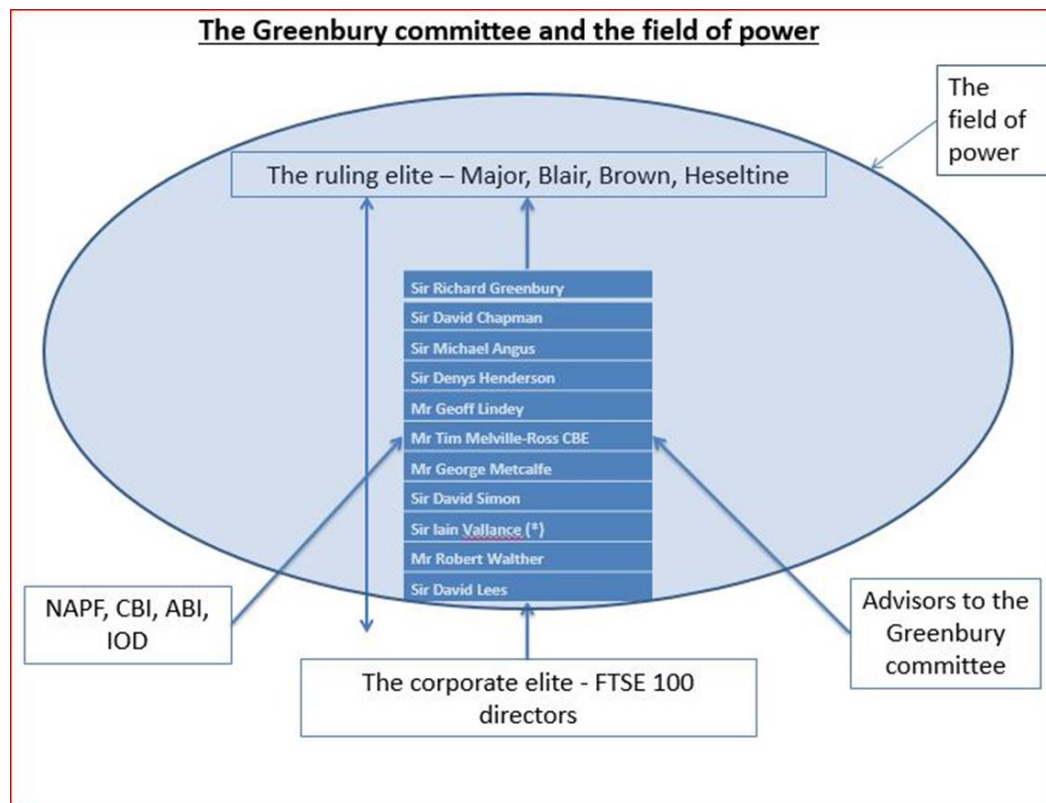


Figure 2: The Greenbury committee and the field of power.

This process of generating corporate governance regulation was clearly directly orchestrated by business elites, under the auspices of the CBI, but it was actually instigated by political elites. This is evidenced by the admission of the then, President of the Board of Trade, Michael Heseltine in his autobiography, “In order to try and deflect some of the criticism and particularly to look for a means of avoiding future outcry, I invited Sir Richard Greenbury to examine the issues involved” (Heseltine 2000: 468). It seems the instruction had come from the Prime Minister himself as a result of tensions before a historically important general election,

*“Major was very worried about this [executive pay issues] and of course it might be helpful if we [The Greenbury committee] say something that helps.”*  
*(Committee member 5).*

Therefore led by high status business leaders, drawn from the corporate elite, the political elite instigated regulation as a result of political pressure, but were able to defer to these

professional ‘experts’ in remuneration should any critics with to *counter-say* their findings. This treatment is loyal to Bourdieu theory of field (Bourdieu 1993) (Bourdieu and Wacquant 1998) and is typical of network formation in the FoP insomuch as distinct groups of actors, from differing fields, come together to find solutions to issues of mutual significance and therefore, “make common cause in realising or defending society wide institutional arrangements” (Maclean & Harvey 2016: 3). The formation of this type of regulation is described by one respondent as a,

*“quasi academic, quasi bureaucratic structure of regulation to which parliament has abdicated its responsibilities... This so called ‘independent’ group aren’t answerable to anybody”* (Committee member 12).

Indeed the proximity of Greenbury and his cohort to the political elite is a rather obvious criticism which could be levelled. The relationships between the corporate elite and ruling political elite, was commented on in relation to the formation of the committee (as eluded to in the previous section). It’s an example of the, almost symbiotic, nature of the relationship between various agents in these groups emphasising the central importance of reciprocity, shared values and trust (Josserand 2004).

*“It was set up effectively by the government, who wanted first of all to kick this as a problem into the long grass [the issue of Cedric Brown’s rewards], because it was quite a nice thing to do to say ‘I’m not going to answer any questions on this because the committee is now sitting’ and once the committee had finished, Greenbury and his... almost political aides, were given a fair amount of staffing to work it though”* (Committee member 7).

This comment not only illustrates how embedded Sir Richard Greenbury was with the political elite, but also supports Milibands (1969) thesis (outlined in the introduction of this paper) that in deferring to business leaders, elite groups sought to ‘depoliticise’ this highly contentious issue by *kicking it into the long grass*. It is clear that the Greenbury committee was a politically motivated project sparked by, “public and shareholder concerns” (Greenbury, 1995: 7) but equally focused on the internal concerns of the Conservative party and the business elites who were subject to the criticism.

Many of the findings laid out above are consistent with capture theories of regulation (Posner 1974, Stigler, 1971) which support the claim by political scientists that, “regulation serves the interest of politically effective groups” (Posener 1974: 343). The insight this paper provides however, is less about *if* the regulation serves these groups, but more about *how* these groups come to ensure their objectives are achieved. The conclusion therefore, is not simply some form of neo-Marxist syllogism that corporate elites and political elites, because they control the regulatory process, develop self-serving regulations. The empirical example provided has illustrated that the answer is much more nuanced, complex and indeed un-coordinated than that. However, there is also clear empirical support for the neo-Marxist claim that the process of corporate governance regulation is a mode of bureaucratic conservatism, Mannheim spoke (1936: 105) of, “the fundamental tendency of all bureaucratic thought is to turn all problems of politics, into problems of administration”, which he says are, “an attempt to hide the problems of politics”.

## Conclusion

The privileged access to the Greenbury committee and its advisors which was granted, allowed an insight into the inner workings of the FoP in the mid-1990s. Such events and discussions normally take place *backstage* (Scott 1990) and as such, the findings presented offer a revised narrative, to the one presented to the public and in formal transcripts of event.

The formation of the committee was an example of how the big questions of the day were dealt with through dialogue and negotiation within the FoP (Bourdieu and Wacquant 1998). In harvesting and then disseminating cultural capital, and with it, championing a cause perceived as centrally important to the wider public, Sir Richard was able to reinforce his personal credibility, and that of the report, as Gordon, Harvey et al. (2010: 7) note, “together, possession of high levels of cultural, social and symbolic capital enables dominant economic actors to increase their influence and power to determine the outcomes of societal events”.

High status actors can be seen as critical in *stage managing* (Scott 1990) and in facilitating the development of what were relatively weak associations in the FoP amongst its members. These actors were central in developing a critical momentum for provisions they developed. However, the research also illustrates that often background players, were equally as important as their higher status counterparts, in ensuring the success of the regulation they impose. For instance, the public relations experts, the remuneration experts and the civil service all played a critical role in galvanising and legitimising the committee’s recommendations. Therefore the construction of an effective constellation of actors in the network, was centrally important in their defence to a common threat.

The key insight of this paper is in highlighting the Greenbury committee as an illustration of the quasi-political form of self-regulation administered by the ruling elite. Theoretically the contribution is in characterising this process as *closure*, which is identified as *a particular class of operation in the field of power*. This idea resonates with the work of post-Marxists such as Mills, (1953) Miliband (1969) and Bourdieu (1984, 1993) Bourdieu and Wacquant (1998) who all identified a broader unified elite, formed from a distinct strata of society.

However the key nuance is that in proposing the idea of closure, as a particular process in the FoP, the unity of elite groups are only combined on an issue-by-issue basis, which in this case was exemplified by the treatment of the issue of TEP.



## References

- Allen, G. (2011) *Intertextuality*, London: Routledge.
- Atkinson, A. B. (1983). *The economics of inequality*, Clarendon Press Oxford.
- Ball, S. J. (2008). "New philanthropy, new networks and new governance in education." *Political studies* 56(4): 747-765.
- Barnes, R. C. and E. R. Ritter (2001). "Networks of corporate interlocking: 1962—1995." *Critical Sociology* 27(2): 192-220.
- Bebchuk, L.A. and Fried, J.M. (2003) 'Executive compensation as an agency problem', *Journal of Economic Perspectives*, 17(3), pp. 71-92.
- Bourdieu, P. (1984). *Distinction: A social critique of the judgement of taste*, Harvard University Press.
- Bourdieu, P. (1986) The forms of capital, in Richardson, J.E. (ed.) *Handbook of theory and research of for the sociology of education*. London: Greenwood. pp. 241-258.
- Bourdieu, P. (1993) *The field of cultural production: Essays on art and literature*. USA: Columbia University Press.
- Bourdieu, P. and J.-C. Passeron (1977). "Reproduction in education, culture and society." Trans. Nice, R. London: Sage.
- Bourdieu, P. and Wacquant, L. (1998) *The state nobility: elite schools in the field of power*. Stanford: Stanford University Press.
- Bourguignon, F (2013) *The globalisation of inequality*. Princetown: Princeton University Press.
- Brass, D. J., et al. (2004). "Taking stock of networks and organizations: A multilevel perspective." *Academy of management journal* 47(6): 795-817.
- Burris, V. (2005). "Interlocking Directorates and Political Cohesion among Corporate Elites1." *American Journal of Sociology* 111(1): 249-283.
- Burt, R. S. (1992). "Structural holes: The social structure of competition." Cambridge: Harvard.
- Burt, R. S. (1997). "A note on social capital and network content." *Social networks* 19(4): 355-373.
- Charkham, J. (2008). "Keeping better company: corporate governance ten years on." OUP Catalogue.

Chu, J. S. G. and G. F. Davis (2011). "Who killed the inner circle? The breakdown of the American corporate elite network, 1999-2009.", Political network conference 2011, Southern Illinois University.

Clegg, S.R. and Hardy, C. (1996) 'Some dare call it power', in Clegg SR, Hardy C, Lawrence T and Nord, W. (eds.) *The Sage handbook of organization studies*. London: Sage.

Clegg, S. R., Carter, C., Kornberger, M., & Schweitzer, J. (2011). *Strategy: theory and practice*. London: Sage.

Cope, N. (1996) Controversy over fat cats dogs Brown to the end. *The Independent*

Dahl, R. A. (1961). *Who governs?: Democracy and power in an American city*, Yale University Press.

Field, S. (2007). Oral history methodology, South-South Exchange Programme for Research on the History of Development.

Finkelstien, S. (1992). "Power in top management teams: dimensions, measurement, and validation." *Academy of Management Journal* 35(3): 505-538.

Gordon, J., et al. (2010). Andrew Carnegie, World Making and the Logic of Contemporary Entrepreneurial Philanthropy. European Business History Association Conference.

Granovetter, M. S. (1973). "The strength of weak ties." *American journal of sociology*: 1360-1380.

Greenbury, R. (1995). *Director's remuneration*. London: Gee and Co.

Hardy, C. and Phillips, N. (2004) 'Discourse and power', *The Sage handbook of organizational discourse*, pp. 299-316.

Harvey, S. (2014). "Creative synthesis: Exploring the process of extraordinary group creativity." *Academy of Management Review* 39(3): 324-343.

Hutton, W. (1996). *The state we're in*, London: Vintage Books.

Hutton, W. (2010) *Them and us: Changing Britain: Why we need a fair society*. London: Little Brown Book Group.

Josserand, E. (2004). *The network organization*. Cheltenham: Edward Elgar

Kerr, R. and S. Robinson (2011). "Leadership as an elite field: Scottish banking leaders and the crisis of 2007-2009." *Leadership* 7(2): 151-173.

Lorsch, J.M., E (1989) *Pawns or potentates: The reality of Americas corporate boards*. Massachusetts: Harvard Business School Press.

Lowenthal, D. (1985) *The past is a foreign country*. Cambridge: Cambridge University Press.

- Mace, M.L. (1971) *Directors: myth and reality*. Boston, Division of Research, Graduate School of Business Administration, Harvard University.
- Maclean, M. and C. Harvey (2016). "‘Give It Back, George’: Network Dynamics in the Philanthropic Field." *Organization Studies* 37(ePub ahead of Print): 0170840615613368.
- Maclean, M., Harvey, C. and Chia, R. (2010) 'Dominant corporate agents and the power elite in France and Britain', *Organization Studies*, 31(3), pp. 327-348.
- Maclean, M., Harvey, C. and Clegg, S.R. (2015a) 'Conceptualizing historical organization studies', *Academy of Management Review*, Forthcoming.
- Maclean, M., et al. (2015b). "Business elites and the field of power in France." *Research in the Sociology of Organizations* 43: 189 - 219.
- Maclean, M., Harvey, C. and Press, J. (2006) *Business elites and corporate governance in France and the UK*. Basingstoke: Palgrave Macmillan.
- Maitland, A. (2008). Reporting and explaining the deal communicating remuneration policy. *Reward Governance for Senior Executives*. C. Arrowsmith and R. McNeil. London, Law Practitioner Series: Chapter 6.
- Mannheim, K., (1936). *Ideology and Utopia* (Vol. 1), London, Psychology Press.
- McPherson, M., et al. (2001). "Birds of a feather: Homophily in social networks." *Annual review of sociology*: 415-444.
- Miliband, R. (1969). *The State in Capitalist Society*. London, The Merlin Press Ltd
- Mills, C. W. (1953). *The Power Elite*, Oxford University Press, USA.
- Mizruchi, M. S. (1996). "What do interlocks do? An analysis, critique, and assessment of research on interlocking directorates." *Annual review of sociology*: 271-298.
- Mizruchi, M. S. (2013). *The fracturing of the American corporate elite*, Harvard University Press.
- Mizruchi, M. S. and L. B. Stearns (1988). "A longitudinal study of the formation of interlocking directorates." *Administrative Science Quarterly*: 194-210.
- Mosca, G. (1939) *The ruling class*, trans. HD Kahn. London: McGraw Hill.
- Mowbray, N. (1995) 'Dear Sir Richard Greenbury', *The Independent*, 25/07/1995. Available from: <http://www.independent.co.uk/news/dear-sir-richard-greenbury-1593084.html>, (Accessed: 24/02/2016).
- Nordberg, D. and T. McNulty (2013). "Creating better boards through codification: Possibilities and limitations in UK corporate governance, 1992–2010." *Business History* 55(3): 348-374.

Norman, A. P. (1991). "Telling it like it was: Historical narratives on their own terms." *History and Theory*: 119-135.

Oulton, C. (1991) 'An ordinary Dulwich man earning pounds 1 a minute; The smile of a boss whose pay keeps on going up and up', *The Independent*, 09/06/1991, p. 3.

O'Mahony, S. and B. A. Bechky (2006). "Stretchwork: Managing the career progression paradox in external labor markets." *Academy of Management Journal* 49(5): 918-941.

O'Mahony, S. and B. A. Bechky (2008). "Boundary organizations: Enabling collaboration among unexpected allies." *Administrative Science Quarterly* 53(3): 422-459.

Paquin, R. L. and J. Howard-Grenville (2013). "Blind dates and arranged marriages: Longitudinal processes of network orchestration." *Organization Studies* 34: 1632 - 1653.

Pettigrew, A. (1992). "On Studying Managerial Elites." *Strategic Management Journal* 13: 163-182.

Pettigrew, A. and T. McNulty (1995). "Power and influence in and around the boardroom." *Human relations* 48(8): 845-873.

Pettigrew, A. M., T (1998). "Sources and Uses of Power in the Board Room". *European Journal of Work and Organisational Psychology* 7(2): 197-214.

Phillips, N., Courpasson, D. and Clegg, S.R. (2006) *Power and organizations*. Sage Publications Limited.

Piketty, T. (2014) *Capital in the twenty-first century*. Harvard: Harvard University Press.

Posner, R. (1974) "Theories of economic regulation", *The Bell Journal of Economics and Management Science*, 5, 2, pp. 335-358

Price, M. and D. Campbell (2015). *From Cadbury to Kay: commuted language in the discourse of corporate governance regulation, 1992 - 2012*. British Academy of Management Conference 2015, Portsmouth.

Reed, M.I. (2012) 'Masters of the universe: Power and elites in organization studies', *Organization Studies*, 33(2), pp. 203-221.

Richie, D. A. (2003). *Doing oral history*, Oxford: Oxford UP.

Rowlinson, M., et al. (2014). "Research strategies for organizational history: A dialogue between historical theory and organization theory." *Academy of Management Review* 39(3): 250-274.

Smith, E. B., Menon, T., & Thompson, L. (2012). "Status differences in the cognitive activation of social networks", *Organization Science*, 23, 67–82.

Stigler, G.J., (1971). *The theory of economic regulation*. The Bell journal of economics and management science, pp.3-21.

Stiglitz, J.E. (2003) "The roaring nineties: A new history of the world's most prosperous decade." New York: WW Norton & Company.

Scott, J.C., (1990). *Domination and the arts of resistance: Hidden transcripts*. Yale: Yale university press.

Stanworth, P. and A. Giddens (1975). "The modern corporate economy: interlocking directorships in Britain, 1906–1970." *The Sociological Review* 23(1): 5-28.

Stinchcombe, A. L. and J. G. March (1965). "Social structure and organizations." *Advances in strategic management* 17: 229-259.

Suddaby, R., et al. (2010). "Rhetorical history as a source of competitive advantage." *Advances in strategic management* 27: 147-173.

Swartz, D. (1998). *Culture and power: The sociology of Pierre Bourdieu*, University of Chicago Press.

Ward, V. (1995). "Cedric Brown, fat cat in the dog house". *The Independent*, London, 12/04/1994, p17.

Wood, Z. (2014) "Tesco boss Dave Lewis gets £4m golden hello from crisis-hit supermarket", *The Guardian*, 27/10.2014, p28